

Editorial

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CONFIDENTIAL

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8 December 1955

CURRENT INTELLIGENCE WEEKLY SUMMARY



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CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

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T H E W E E K I N B R I E F

PART I

OF IMMEDIATE INTEREST

BERLIN SITUATION Page 1

The East German government is intensifying its campaign in Berlin to force the West, and especially West Germany, into negotiations which would lead to recognition of East German sovereignty.

[REDACTED]

THE BULGANIN-KHRUSHCHEV TOUR Page 3

Bulganin and Khrushchev have continued their tirades against the West--especially Great Britain--at both official and unofficial gatherings in India and Burma, despite sharp criticism from a number of influential Indian and Burmese leaders. The Soviet leaders' attacks on colonialism and appeals to nationalist sentiment have been warmly received by the Indian and Burmese people. On 14 December, Bulganin and Khrushchev are scheduled to arrive in Afghanistan where political developments are creating an increasingly favorable climate for the acceptance of Soviet offers of assistance.

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TURKEY Page 5

Prime Minister Menderes formed a provisional cabinet on 8 December. The crisis which has disrupted government activities for the last week will not be resolved, however, until a cabinet has demonstrated its ability to hold the confidence of the Grand National Assembly. Any Turkish government must immediately concern itself with the serious economic problems which led to the present crisis.

[REDACTED]

ARAB-ISRAELI SITUATION Page 6

Arab-Israeli border areas have been quiet during the past week with the exception of minor clashes between Egyptian and Israeli forces in the Gaza area. Negotiations to effect a cease-fire in the El Auja and Gaza sectors continue. Soviet IL-28 jet bombers (BEAGLES) have been observed in Egypt.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

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PART II

NOTES AND COMMENTS

Supreme Soviet Session Called for Late December: The USSR Supreme Soviet which has been called for 23 December will adopt the Soviet budget for 1956 and will probably hear a report on Bulganin's and Khrushchev's trip to India, Burma, and Afghanistan. The recent foreign ministers' conference at Geneva will presumably also be discussed. The Soviet leaders recently have been making extensive pro forma use of the Supreme Soviet for reporting on major policy developments, evidently hoping to create the impression, both at home and abroad, that the regime is accountable to the elected representatives of the Soviet people.

25X1 [REDACTED] Page 1

Communist Economic Aid Program: Sino-Soviet bloc efforts to penetrate the Middle East and South Asia through the delivery of plants and equipment are, as Czech minister of foreign trade Dvorak stated last week, receiving a "...very friendly reception... which can only be explained by the fact that...we [the Communists] never make political or other conditions...."

25X1 [REDACTED] Page 2

French North Africa: Disorders and uneasiness continue throughout French North Africa. Berber tribal attacks have been stepped up in Morocco, where an all-Moroccan government has been formed. In Algeria, rebel attacks have continued.

25X1 [REDACTED] Page 3

French National Elections: General prospects for the French parliamentary election will not be clarified until after the 10 December deadline for announcement of party alliances.

25X1 [REDACTED] Page 5

Cyprus: The public announcement by Cypriot Nationalist leader Archbishop Makarios on 7 December that he had rejected Britain's latest formula for Cyprus will probably be followed by further terrorist activities on the island. Makarios took a public stand on London's proposal apparently both to appease his more extreme followers on Cyprus and to forestall any move by Athens to use Britain's formula to shelve the issue.

25X1 [REDACTED] Page 6

Laos: The commanding general of the Laotian national army and the defense minister are reported to believe that the Pathet Lao is planning an offensive prior to the 25 December national assembly elections. An attack reported on 5 December may be the opening phase.

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South Vietnam: Direct elections for a national assembly in South Vietnam will probably be held in late January or early February. A coalition of the most loyal pro-Diem political groups is arranging a government slate designed to sweep the polls. Opposition candidates will apparently be permitted to campaign. Stringent electoral procedures, however, will probably prevent many of them from being elected.

Page 7

Uneasy Situation in Singapore: Chief Minister David Marshall of Singapore departed for London on 2 December to negotiate for a greater degree of self-government. His regime, however, is in a precarious political position and on his return he may feel impelled to call an election, in which the pro-Communists would probably make a strong showing. If the situation further deteriorates, the British may, as a last resort, revert to direct rule.

Page 8

Australian Election: The Liberal-Country Party coalition led by Prime Minister Robert Menzies probably will increase its strength in the Australian House of Representatives in the 10 December elections. A Menzies victory would result in continued close Australian co-operation with the United States in the Pacific area.

Page 9

Tension Rising Between Japan and South Korea: South Korea's recent threat to sink Japanese vessels crossing the "Rhee line" fisheries boundary has led to "unprecedented" tension in Japan and has stimulated new demands for retaliation. Although South Korea's service chiefs are reported opposed to the use of force, shooting incidents or new seizures which may yet occur would further inflame Japanese public opinion and increase sentiment for arbitration by the United States.

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Unrest in Ecuador: Mounting political and military tension in Ecuador is threatening the position of the regime. The situation is complicated by popular emotions aroused over President Velasco's harsh handling of recent student demonstrations in Quito and Guayaquil. The Communists, who apparently have played a large part in the student demonstrations, may succeed in organizing a general strike. Further political deterioration could result in the ouster of President Velasco before the presidential and congressional elections scheduled for 3 June 1956. [] Page 13 25X1

PART III

PATTERNS AND PERSPECTIVES

THE SAAR LANDTAG ELECTIONS Page 1

The pro-German sentiment which in October was responsible for the defeat of the "European statute" for the Saar territory seems certain to assure victory for the pro-German parties in the elections for the Saar Landtag (parliament) on 18 December. If the pro-German parties win as much as 75 percent of the seats, they will be in a position to amend the French-inspired Saar constitution so as to remove the legal barriers it contains to reunion with Germany. However, France still controls the territory's economy and continues to assert strong political claims over its future. The French would probably abandon their present conciliatory policies on the Saar problem if the views of pro-German extremist elements seemed dominant after the election. [] 25X1

COMMUNIST PARTY TACTICS IN THE FAR EAST. Page 4

The Communist parties in the non-Communist countries of Asia are trying to strengthen their local position and simultaneously to support Moscow's and Peiping's diplomatic efforts to "normalize" relations with these countries. These aims sometimes conflict. At this time, the Communists consider open and legal activity the most effective means for advancing them. Nevertheless, infiltration and subversive activities by Asian Communist parties have in all probability not been reduced. While the Communists are making overtures for truce settlements or amnesties in some areas, they will not disband existing military forces under their control, or abandon the threat of military action. [] 25X1

HUNGARIAN REGIME REASSERTS PARTY CONTROL Page 8

Hungarian Workers' Party first secretary Matyas Rakosi appears to have succeeded in his struggle to eliminate opposition within the party which gained strength during 1954 under former premier Imre Nagy. By the use of intensive repressive measures, he has reasserted his control over the party and strengthened the regime to a point where minor relaxations are now appearing. [] 25X1

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PART I

OF IMMEDIATE INTEREST

BERLIN SITUATION

The East German government is intensifying its campaign in Berlin to force the West and especially West Germany into negotiations which would lead to recognition of East German sovereignty.

Since the incident on 27 November involving the detention of American congressmen, the East German press has daily featured articles emphasizing the sovereignty of the German Democratic Republic (GDR) in general, and sovereignty over the Soviet sector of Berlin in particular. East Germany's sovereignty is declared to be a basic truth which must be recognized by the West.

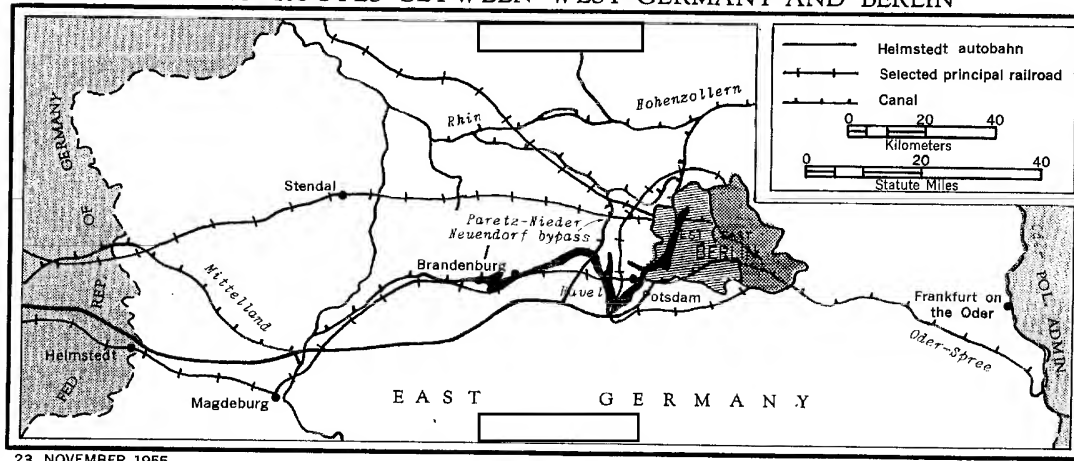
The claim in the 2 December issue of Neues Deutschland that the GDR's territorial jurisdiction extends to the elevated rail system it operates in West Berlin suggests that efforts will be made to challenge Western authority over elevated stations

in West Berlin. There is probably no intention at this time of severing elevated service between East and West Berlin, since this is the only efficient passenger service between the Soviet sector and the East German cities of Potsdam and Hennigsdorf.

Although the Communists probably will not cut off access to East Berlin, they will try to make Western visitors to this part of the city subject to the laws of the GDR. East Berlin heretofore has, like West Berlin, been governed by special legislation recognizing the status which sets the divided city apart from either the GDR or the Federal Republic. Western acceptance of GDR law in East Berlin would imply recognition of East German authority over the Soviet sector.

The East Berlin press, meanwhile, has taken the line that ministerial-level talks

ACCESS ROUTES BETWEEN WEST GERMANY AND BERLIN



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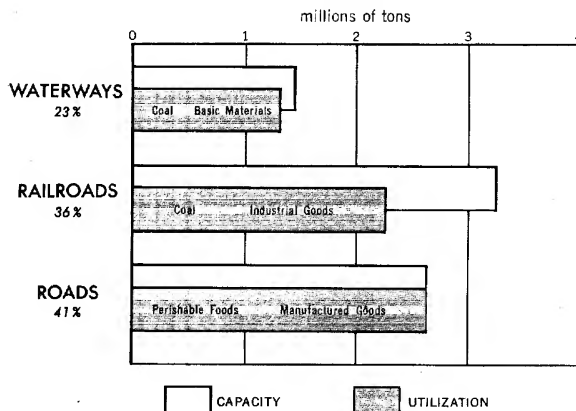
between the East and West German governments are needed to conclude a new barge agreement, and that if such an agreement is not reached, the present interzonal barge permits will expire on 31 December. East German transport minister Kramer has asked his opposite number in Bonn to designate officials competent to issue barge permits, as Kramer is competent to do for the GDR. Bonn will presumably resist ministerial-level negotiations. If a barge agreement is not reached by the end of the year, the East Germans will probably interfere with and possibly stop canal traffic between West Berlin and the Federal Republic.

In 1954, the barges carried 23 percent of the total freight brought into Berlin from West Germany and 18 percent of that going from the city to West Germany. Only about 60 percent of the freight now carried by barge could be absorbed by rail and truck lines if barge traffic is stopped. In any case, West Berlin has on hand large stockpiles of basic materials, including coal and food staples.

On 5 December, the East Germans announced another harassing measure, a provision that all vehicles driving in the GDR must be insured with an East German nationalized insurance company. This requirement, based on a law passed in September and effective 1 January 1956, gives East Germany the

WEST GERMAN-BERLIN COMMERCE

1954



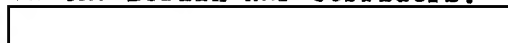
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power to impose exorbitant insurance fees on West German and other Western vehicles.

According to the Bonn Foreign Ministry, the East German government suggested in October that the postal accounting for the two areas, now handled by an Allied working party, be turned over to the governments of East and West Germany. Such a move, while relatively minor in importance, would remove one more vestige of four-power authority.

Two reports which recently emanated from East Germany stating that tolls would be imposed on Western air transport using the corridors to Berlin were probably planted to test Western reaction. Actually, the Soviet Union would probably not at this time be prepared to risk a serious incident by permitting the East Germans to assume control of the Berlin air corridors.



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THE BULGANIN-KHRUSHCHEV TOUR

Bulganin and Khrushchev have continued their tirades against the West, especially Britain, at both official and unofficial gatherings in India and Burma, despite sharp criticisms from a number of influential Indian and Burmese leaders. The Soviet leaders' statements on colonialism and appeals to nationalist sentiments are being warmly received by the Indian and Burmese people. The Soviet Union will almost certainly exploit the favorable reaction to the visit to increase Soviet influence and prestige in the area.

The Soviet leaders have hammered steadily on the anti-colonial theme. They have attempted to draw an analogy between the foreign intervention in the USSR after the Russian Revolution and the colonial period in India and Burma. Both leaders have pictured the USSR as a sympathetic and powerful nation which is willing and able to furnish all types of assistance to India and Burma.

The Soviet leaders have aimed their speeches directly at Indian and Burmese nationalist sensitivities. Bulganin told a Rangoon audience, "The Soviet people...watched with sympathy the Burmese people's struggle...and were happy when this struggle was crowned with success." Khrushchev addressed the Indians as brothers "who have cast off the centuries-old colonial yoke," and Bulganin greeted the Burmese as persons who "have endured the hardships of colonial rule, foreign intervention and destructive war." In Mandalay, Khrushchev said, "As representatives of a European nation we

are ashamed of what those other Europeans did here before. But not all Europeans think as did the colonizers." The USSR, he said, "is both European and Asian, but territorially our country belongs more to Asia."

India

Indian prime minister Nehru apparently is embarrassed by the behavior of the Soviet leaders and is worried about the effect of their visit on the Indian population. Nehru's speech in Calcutta on 30 November was evidently designed to show he was not taken in by Soviet blandishments, and he is understood to have instructed the government-controlled radio to play down accounts of popular enthusiasm in Calcutta.

The American embassy in New Delhi believes that many Indians have gained a favorable impression of Bulganin and Khrushchev and that the effect of their tour may be deeper and more subtle than Nehru bargained for. The embassy believes the visit will result in an over-all gain for Soviet objectives in India, and may well pave the way for an increase in the influence of the Indian Communist Party.

Unless India accepts a considerable amount of Soviet economic aid in the near future, however, the lasting effects of the visit itself are not likely to be marked. Although there has been considerable criticism in the Indian press and among thinking Indians of Bulganin's and Khrushchev's speeches criticizing the West, the Soviet leaders' statements on Goa have been especially

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well received in India. Khrushchev termed the continued existence of a Portuguese colony on "Indian" soil "a shame for civilized people," and called for an end to "bloodsucking" colonialism in Asia.

The American embassy reports that Nehru conferred with the Soviet leaders on 30 November in Calcutta on a draft joint declaration on friendship and Soviet aid, principally technical and scientific help in India's economic development. The declaration, drafted in detailed discussions between Andrei Gromyko and Indian officials, is scheduled for public release when Bulganin and Khrushchev resume their talks with Indian leaders in New Delhi on 10 December. The American embassy believes there is a strong possibility the Soviet leaders will make public some very tempting economic assistance offers at the end of their tour, taking advantage of the publicity attendant on their trip.

Burma

The Soviet leaders' visit to Burma ended on 7 December with a Soviet-Burmese declaration reiterating the agreement of Soviet and Burmese foreign policies on such matters as opposition to military blocs, the status of Taiwan, and universal membership in the United Nations. This declaration is similar to earlier ones issued in Moscow with Nehru and U Nu.

The elaborate preparations for the reception of the Soviet leaders in Burma and the expressions of good will during the visit there were unprecedented.

Burmese schools and government offices were closed,

and business concerns were "advised" to do likewise. A large portion of the Burmese army was diverted from other tasks to provide adequate security, and strong efforts were made to insulate the "honored guests" from Western correspondents. Burmese leaders, particularly Premier Nu and President Ba U, were unstinting in their praises of the USSR.

The arrival of the Soviet leaders in Burma coincided with a move by the insurgent Burmese Communist Party, apparently carefully timed, to reach a settlement with the government. One of the Communists' reported conditions for a "negotiated" surrender is a promise by the government not to become "entangled" in the Anglo-American bloc. The Communists evidently feel they can be more effective politically if they abandon military action.

The Burmese government, which reportedly has been negotiating with the insurgents for several weeks, probably will accept the Communists' conditions. The American embassy in Rangoon believes the Communists may try to make a deal with the left-wing faction of the government party with a view to eliminating the anti-Communist faction and establishing a coalition government.

The press has reported that Soviet-Burmese negotiations are progressing in Rangoon for a "gift" of Soviet arms in return for a "gift" of Burmese rice. Last year Yugoslav president Tito's donation of arms to equip a brigade in return for a token payment of Burmese rice was received with wide enthusiasm.

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Afghanistan

Developments in Afghanistan are creating an increasingly favorable climate for the acceptance of Soviet offers of assistance when Bulganin and Khrushchev arrive in Kabul, probably on 14 December, for two or three days.

A variety of Soviet offers of aid to Afghanistan have been rumored, [REDACTED]

[REDACTED]

The USSR has also reportedly offered to take over the Helmand Valley power and irrigation project from the American Morrison-Knudsen firm. Afghan officials have recently reiterated their dissatisfaction with the projects being handled by the American firm, and the American embassy in Kabul believes Afghanistan is attempting to provoke Morrison-Knudsen into canceling its contract.

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TURKEY

Prime Minister Menderes formed a provisional cabinet on 8 December. The crisis which has disrupted government activities for the last week will not be resolved, however, until a cabinet has demonstrated its ability to hold the confidence of the Grand National Assembly. Any Turkish government must immediately concern itself with the serious economic problems which led to the crisis.

Dissension within the Democratic Party has been apparent for several months, but the basic factor behind the resignation of the entire cabinet on 29 November was Turkey's steadily deteriorating economy. Menderes was subsequently given a narrow vote of "personal" confidence by the Democratic Party "caucus." His present claim that this vote was for the program of his regime is probably a maneuver to circumvent the constitutional requirement that a new cabinet must submit its program for approval to the Grand National Assembly.

At least 16 deputies flatly rejected the economy and commerce portfolio, apparently because of unwillingness to risk their political future by assuming responsibility for government efforts to solve the country's economic problems.

The new cabinet, whatever its composition, will face rough going publicly as well as politically. Any effective economic measures will be unpopular in large sectors of the business community, the segments of the public adversely affected, and certain elements within the Grand National Assembly. The full impact of policy changes will probably not become apparent for some months, and the administration may attempt to speed up economic recovery by pressing for an American loan.

The new government will have to be more sensitive to popular will. Menderes suffered a serious political defeat and loss of personal prestige when his cabinet was

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forced to resign. While Menderes may be able to maintain his premiership as long as he has President Bayar's support, his personal domination of the government appears to have ended.

In any case, the Democratic Party will probably continue to lose popular and parliamentary support unless it makes significant changes in its administrative and economic policies. The newly formed "Freedom Party" may attract many dissident Democrats.

Bayar, fearing that his party may disintegrate further, can be expected to make every effort to regain party unity.

The opposition parties have thus far remained silent about the dissension within the Democratic Party and the government crisis. They will probably become more vocal in their criticism as soon as the new government indicates the nature and direction of its program.

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ARAB-ISRAELI SITUATION

Arab-Israeli border areas have been quiet during the past week with the exception of minor clashes between Egyptian and Israeli forces in the Gaza area.

UN truce chief Burns interviewed Israeli prime minister Ben-Gurion on 5 December regarding the UN cease-fire proposals, following up this talk with a visit to Egypt. A cease-fire arrangement for the Gaza area was allegedly approved by Cairo and Tel Aviv as a result of the unofficial intervention of one Colonel Banks, a member of the British Parliament. Banks was to have made an announcement to this effect in London, but nothing further has been heard of his initiative, and the Israeli Foreign Ministry expects little from it.

Israeli retaliatory raids against Egypt or Jordan seem to be less likely in the light of Israel's current effort to obtain a favorable response to its arms requests from the United States. High Israeli officials have recently made public statements that Israel's

capability for winning a war against the Arab states is rapidly diminishing. While these statements were probably made to elicit more sympathetic Western consideration of Israel's situation, they apparently have confused and alarmed the Israeli public, which had been assured that the country's forces could successfully meet any Arab attack.

The arrival of Soviet bloc BEAGLE (IL-28) jet bombers in Egypt has been confirmed

who saw four of these aircraft

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No Soviet bloc naval equipment is believed to have been delivered

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and a small submarine base may be under construction near Alexandria.

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Egypt's efforts to establish closer military relations with other Arab states apparently have met with considerable success in Syria. Egyptian minister of war Amir's visit to Damascus last week seems to have marked the beginning of at least some operational coordination between Syrian and Egyptian forces, now united on paper under a joint command.

Amir went from Damascus to Jordan, where his reception was friendly. During his visit to Amman, Amir probably sought to persuade Jordan to stay out of the Baghdad pact. Pressure from the side of the Baghdad powers is being exerted by General Sir Gerald Templer, chief of the British Imperial General Staff, who arrived in

Jordan on 6 December. Templer has been empowered to offer revision of the Anglo-Jordanian treaty, plus \$12,600,000 worth of military equipment and an increase in subsidy to the Arab Legion amounting to \$2,800,000, as inducements to Jordan to adhere to the pact.

Jordan's King Hussain and some other leaders seem favorably inclined toward the pact and the inducements. But an alliance with Turkey and the West is associated in the mind of Jordan's large refugee population with a less hostile attitude toward Israel, and it is problematical whether the Jordan government is willing to risk the political turbulence which would be almost certain to follow an announcement that Jordan would join.

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PART II

NOTES AND COMMENTS

Supreme Soviet Session Called for Late December

The USSR Supreme Soviet, which has been called to meet on 23 December, will adopt the Soviet budget for 1956 and will probably hear a report on the current trip of Bulganin and Khrushchev to India, Burma and Afghanistan. The recent foreign ministers' conference at Geneva will also likely be discussed.

The report to the Supreme Soviet will probably highlight the South Asian trip, stressing the prestige enjoyed by Soviet leaders abroad and the progress underdeveloped nations can make with aid from the Soviet Union.

The report may also announce a plan for economic assistance and technical aid to the Afro-Asian countries which would include dramatic aid projects selected to give the Soviet Union the maximum propaganda benefit.

If the report also covers the Geneva foreign ministers' meeting, it is likely to emphasize Soviet dedication to keeping alive the long-run prospect for international agreement. At the same time it will probably blame the "intransigent" Western attitude for the lack of specific agreements at Geneva. There are likely to be references to the growing might of the Soviet Union, which may be illustrated by some statement on recent thermonuclear tests.

The budget has never previously been considered by a Supreme Soviet session before the budget year has begun, but planning chief Saburov has

stated that the 1956 budget will be adopted at this session.

The broad objectives of the sixth Five-Year Plan may be touched on in connection with budgetary problems, but Saburov said the plan itself would formally be considered at the 20th Party Congress called for mid-February 1956. A report on the current Five-Year Plan is unlikely to be on the agenda since final results will not be available.

There is no evidence that any major alteration in the Council of Ministers will be introduced. The Supreme Soviet Presidium, not the Supreme Soviet itself, appoints and dismisses most members of the council. Only those appointments and dismissals of utmost significance for which the appearance of widespread agreement and support is desired are normally made at a Supreme Soviet session.

At the present juncture only the dismissal of one of the present party presidium members from his government post would appear to be that significant. With the possible exception of Molotov, none of the presidium members appears to be in any trouble, and even if some were, the first move in their dismissal from public office would most likely be made at the Party Congress in February.

The coming session will be the third this year. Not since 1939 have there been three sessions in one year, and the usual practice since the war has been

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to hold only one, though the constitution calls for two. In 1939 the second and third sessions were devoted to ratification of the Nazi-Soviet pact and to sanctioning the annexation of portions of Poland by the USSR.

The five sessions since Stalin's death considered the large governmental reorganization immediately after his death (March 1953); heard Malenkov's kickoff speech on the new course economic policy (August 1953); reorganized the government following the 1954 elections (April 1954); replaced Malenkov with Bulganin as premier (February 1955); and heard Bulganin's report on the summit conference (August 1955). In three of these sessions (August 1953, April 1954, and February 1955), the Supreme Soviet considered the budget for that year.

The Soviet leaders recently have been making extensive pro forma use of the Supreme Soviet for reporting on major policy developments, evidently hoping to create the impression both at home and abroad that the regime is accountable to the elected representatives of the Soviet people. They have stressed adherence to legislative prerogatives as defined by the constitution; publicized the work of the legislative commissions dealing in foreign affairs; issued a call for the exchange of delegations with parliaments of the world and joined the Inter-Parliamentary Union; and summoned the entire Supreme Soviet to hear Bulganin's report on the Geneva conference. The coming session probably continues this trend. [REDACTED] (Continued in by ORR)

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Communist Economic Aid Program

The most succinct statement of the "new era" in the Sino-Soviet bloc economic program was given by Czech foreign trade minister Dvorak on 1 December, on his return from a sweep through the Near East and South Asia. He said, "...technical assistance is being offered not only by Czechoslovakia but by the Soviet Union and other countries of the socialist camp. These offers open a new era in the development of these countries...and stimulate offers of technical assistance from other parts of the world as well. In other words, we are helping to open the gate for extensive building of industry in these countries."

He explained that the Sino-Soviet bloc will offer to supply technicians and complete industrial installations and to train

foreign experts in bloc factories. He observed that Communist offers had had a "...very friendly reception...which can only be explained by the fact that...we never make political or other conditions..."

Dvorak's speech contained several references to "grants" of technical assistance, suggesting that ever-increasing numbers of Communist technicians will be a central feature of the "new era." The generous use of bloc technicians will provide a cheap and probably effective weapon in the program of penetration through economic means.

The goal of making underdeveloped countries economically dependent on the Sino-Soviet bloc is to be furthered by reorienting trade to the bloc and particularly by Communist

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purchases of unsalable agricultural surpluses. For example, the bloc will import over 30 percent of Burma's rice surplus this year and a substantial amount of Egypt's cotton.

Reports during the last ten days show that Hungary has closed a deal to supply Egypt with a thermal power plant estimated to cost between \$3,500,000 and \$4,000,000 and has received an order for 153 locomotives from India. Prague has signed a contract for a cement plant, presumably in India, at an estimated cost of between \$4,000,000 and \$5,000,000.

Communist China has recently stepped up its activities in the Near East following a

trade agreement signed with Egypt in August. The Egyptian agreement calls for a trade turnover of about \$60,000,000 during the first year. Peiping's desire to expand trade with the Near East is demonstrated by Chinese exports of scarce steel products and badly needed wheat. Peiping has recently concluded its first trade agreement with Syria and is negotiating another with Lebanon.

According to 6 December press reports, Moscow has offered to supply Syria with a complete oil refinery. The offer was made by the Soviet ambassador in Damascus, who reportedly said that the price would be lower than any other offer. [REDACTED]

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French North Africa

Disorders and uneasiness continue throughout French North Africa. Berber tribal attacks have been stepped up in Morocco, where an all-Moroccan government has been formed. In Algeria, rebel attacks have continued.

Morocco: As terrorist activities diminished in the urban areas, Berber tribesmen near the Spanish Moroccan border stepped up their attacks.

An estimated 2,000 tribesmen, approximately half of the number armed for these forays, are said to be involved. Some 16,000 additional volunteers cannot now be utilized because of the lack of weapons. [REDACTED]

Resident General Dubois is reported to consider the situa-

tion extremely serious and the French command is said to fear the rebels will soon be strong enough to attack the strategic city of Taza. The sultan [REDACTED]

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[REDACTED] has not yet, however, called on the tribes to cease their rebellion.

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French officials in Rabat this week reiterated earlier charges that Spanish Moroccan officials are helping the rebels and that weapons from the Middle East are passing through Spanish Morocco [REDACTED]

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An Istiqlal party congress has endorsed the policy of its executive committee--complete sovereignty, including a

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Moroccan army and management of the country's diplomacy. In a bid for the support of Moroccan Jews, the party has promised to grant them civil rights when it gains control of the government.

The party modified somewhat its original demand for half the posts in the Moroccan cabinet formed on 6 December. It now holds nine of the 21 portfolios, including the important Ministry of Justice. Except for Adberrahim Bouabid, one of the four ministers of state who will conduct negotiations with France, no top party leader is represented in the cabinet.

The less important Shoura party, also known as the Democratic Party of Independence, received only six instead of the seven posts it demanded and already has strongly protested the "arbitrary manner" in which posts were allocated. Despite this protest, the party would appear to be in a particularly favorable position since it controls the ministries of finance, labor, urban affairs, industrial production, and youth, as well as being represented on the delegation to negotiate with France. Further clashes between Shoura and Istiqlal militants can be expected.

The five remaining cabinet positions are filled by independent nationalists, including an as-yet-unnamed Moroccan Jew. Allal el Fassi, leader of the extremist faction of the Istiqlal party, publicly declared in Tetuan on 27 November that the tribal rebellion was only a prelude to a "mighty onslaught which will continue until both Morocco and Algeria have achieved complete independence."

These inflammatory remarks,

[redacted] are in line with El Fassi's public role of extremist firebrand--a party policy designed to maintain maximum pressure on the French. Nevertheless, he probably is involved in the direction of the tribal rebellion.

Algeria: Thirty-one bystanders and 9 rebels were slain in a 4 December rebel attack in the village of Lamy in eastern Algeria. This is the most serious single incident since the flare-up on 20 August and shows that the recent troop reinforcements have not materially improved the security situation.

French officials recently reiterated their charges that Algerian rebels are directed and aided by the Arab states.

The governor general recommended postponement of the 2 January balloting for the French National Assembly throughout Algeria, but was overruled. Most Algerian Moslem deputies are reported to have decided not to run for reelection because of assassination threats. French candidates are also said to be dubious about running.

Meanwhile, Jacques Chevallier, mayor of Algiers, and other liberal mayors have resigned from the Federation of Mayors of the Department of Algiers in protest against the rigged re-election of the organization's president. Chevallier and his associates may be involved in the proposed organization of liberal French settlers and moderate Algerian Moslems who favor a negotiated settlement with the rebels.

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French National Elections

General prospects for the French parliamentary elections on 2 January will not be clarified till after the 10 December deadline for announcement of party alliances. Mendes-France's effort to form an alliance between his Radical Socialists and other left-center parties for the election received some indirect approval at the 6 December meeting of the Socialist Party's national council, which rejected any affiliation with the Communists.

The elections will be held under the electoral law of 1951, which was designed largely to favor the smaller center parties over the Communists and Gaullists. This law provides for party lists in 95 of the 103 electoral districts, and permits parties to "affiliate" in these districts, that is, to have the total number of votes cast for any one group of affiliated parties counted as a unit. Any single-party slate or affiliated slate winning a majority in one of those 95 districts gets all the seats for that district. In the absence of a majority, seats are allotted by a complicated system of proportional representation generally favoring the larger parties or affiliated groups.

In the eight Paris area districts, where the Communists and Gaullists were particularly strong, the 1951 law permitted no "affiliation," and proportional representation is applied under a system giving the smaller parties a better chance.

In the districts in which affiliation is permitted, it is virtually impossible for one party to obtain a majority. In 1951 it happened in only one district. Moreover, only 36 affiliated lists won a majority in 1951, although

affiliations took place in 83 districts.

Fewer affiliations are anticipated for the January election because party differences among the center groups have become accentuated since 1951, and all the non-Communist parties are now competing for the former Gaullist following. Although in 1951 the Socialists affiliated in 39 districts with Popular Republicans, Radical Socialists, Independents, and Peasants, the Socialist national council on 6 December recommended strongly against alliances now with the parties of the Faure government coalition.

This move favors the alliance Mendes-France is aiming for. The Socialist national council also passed a resolution against affiliation with the Communists, but over a third of the 3,000 delegates indicated a willingness to make such alliances, and it is expected that some will be formed on the local level.

The Communists did not participate in any affiliation in 1951, and they will probably not make large gains from the anticipated alliances with the Socialists in some districts. Since more seats will probably be allotted on a basis of proportional representation, however, their chances are correspondingly improved over 1951, when they won 16 percent of the seats in the assembly.

Twenty-eight groups have registered for consideration as national parties, that is, parties which qualify for affiliation by presenting candidates in at least 30 departments. Some will probably fail to meet this requirement, but additional groups are expected to enter local lists in various districts.

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Cyprus

The public announcement by Cypriot nationalist leader Archbishop Makarios on 7 December that he had rejected Britain's latest formula for Cyprus will probably be followed by further terrorist activities on the island. Makarios took a public stand on London's proposal apparently both to appease his more extreme followers on Cyprus and to forestall any move by Athens to use Britain's formula to shelve the issue.

London's offer of immediate self-government included assurances that self-determination would be considered when self-government had proved workable and when the strategic requirements of all interested nations permitted this. This was recognized by Athens as a forward step in British policy on Cyprus. However, Greek prime minister Karamanlis told the American embassy he had read the formula seven times and still could not understand it completely.

In an effort to prevent an immediate showdown on the British plan, Karamanlis urged London to encourage "clarifying" talks between Makarios and the governor of Cyprus, Sir John Harding. The Greek prime minister says he cannot understand London's reluctance to proceed with a self-government formula and a guarantee of self-determination in 10 years.

Turkey reluctantly agreed to the British plan only after several reassuring exchanges between London and Ankara.

Makarios has recently been under increasing criticism for his moderation and in growing danger of losing the leadership of the Nationalist movement. Karamanlis, with the Greek public still aroused over the Cyprus issue and national elections planned for early next year, has been trying to soft-pedal the issue. He cannot, however, support any solution opposed by Makarios.

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Laos

Laotian Communists have been showing increasing belligerence. On 28 November, they fired on an international commission team escorting Laotian troops to a water hole--the third incident in two weeks involving commission personnel. Reports indicate that ammunition shipments to Pathet Lao forces have been accelerated, and that heavy weapons training is under way.

Another report states that approximately 1,000 Pathet Lao troops on 5 December attacked government forces southeast of Muong Peun. This could signal the start of a concerted campaign.

The Laotian government ostensibly wishes to wait until after the 25 December elections before embarking on tentative plans of their own to conduct

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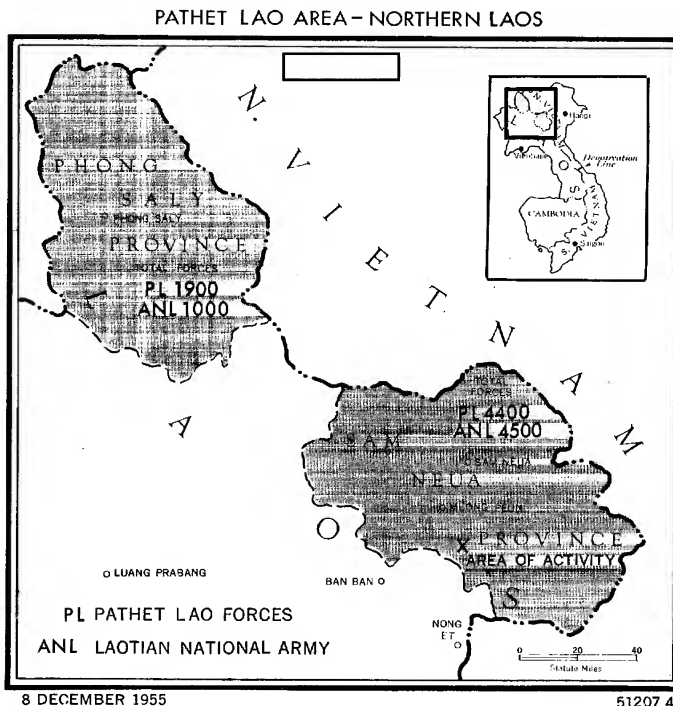
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an offensive. Should the Communists initiate large-scale action, royal troops plan to respond with a counteroffensive. The government, in fact, might need only an excuse such as the 5 December attack to embark on an ambitious military campaign.

The American army attaché in Vientiane estimates that Pathet Lao morale and operational capability are at a particularly low ebb. He believes the royal forces could defeat the Pathet Lao, assuming that the government could concentrate its forces and overcome supply problems, and that it is not faced with Viet Minh intervention.

These are difficult pre-conditions to realize, however,



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and there is a strong likelihood that the Viet Minh would commit sufficient troops to maintain the Communist foothold in northern Laos.

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South Vietnam

Direct elections for a national assembly in South Vietnam will probably be held in late January or early February. A coalition of the most loyal pro-Diem political groups is arranging a government slate designed to sweep the polls. Opposition candidates will apparently be permitted to campaign, but stringent electoral procedures are calculated to prevent many of them from being elected.

Diem has been subjected to renewed charges of dictator-

ship, but he considers it imperative at this juncture to have an assembly on which he can rely. One of the assembly's first tasks will be to adopt a draft constitution now being reviewed by a government-appointed committee.

Meanwhile, negotiations with the French on military, cultural and economic matters are being held up by the Diem government's insistence on unequivocal French support for South Vietnam's interpretation of its position under the

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Geneva accords and more active French participation in SEATO. Diem is evidently utilizing as a lever to obtain optimum terms the fact that the financial and trade agreement France wants renewed expires on 31 December.

On the question of maintaining the International Control Commission in Vietnam, the outgoing Indian chairman has

revealed a considerable sympathy--that may not exist in New Delhi--for Diem's position and has suggested the possibility of some arrangement outside the Geneva framework whereby the commission could stay on indefinitely in its arbitration role. For the first time in discussions of this question, the chairman made no reference to the July 1956 elections called for by the Geneva terms.

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Uneasy Situation In Singapore

Chief Minister David Marshall of Singapore departed for London on 2 December to negotiate for a greater degree of self-government. His regime, however, is in a precarious political position, and when he returns he will undoubtedly be accused by pro-Communist elements of having "sold out" to the British.

Marshall's political party, the Labor Front, suffered a serious setback on 30 October when left- and right-wing factions split over the issue of the government's attitude toward Communism. Two of his supporters in the legislative council defected to the opposition--which at present ranges from pro-Communists to highly conservative

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DAVID MARSHALL

businessmen--and others suggested they might follow. As a result, the government is dependent upon the votes of three British officials and four appointed members of the council. Thirteen of the 25 elected members voted against the government's budget in a key vote on 21 November. Marshall wanted to resign as a result of these developments, but was persuaded by the British governor to remain in office at least until after his trip to London.

Pro-Communists are apparently attempting to maintain general tension in the colony. Bus drivers have been on strike for more than three weeks, and the secretary of their Communist-dominated union has made a thinly veiled threat of riots similar to those of last May. There have also been indications that Chinese students, heavily influenced by the Communists, might foment fresh trouble. The American consulate general has described the situation as one of "uneasy surface calm."

Marshall will be given a sympathetic hearing in London, but the British are unlikely to satisfy all of his demands. Whatever the outcome, the Communist-led opposition will charge that the mission was a failure and again denounce Marshall as a British "stooge."

Marshall may decide to call new elections. Local observers feel that the pro-Communists would make a much stronger showing in elections now than they did last April.

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Australian Election

The Liberal-Country Party coalition led by Prime Minister Robert Menzies probably will increase its strength in the Australian House of Representatives in the 10 December elections. A Menzies victory would result in continued close Australian co-operation with the United States in the Pacific area.

Menzies and the Labor Party leader, Herbert Evatt, have waged a bitter personal campaign over Communist and foreign policy issues. Evatt has been under strong attack over the correspondence he started with the Soviet foreign minister in an effort to refute the Petrov revelations of Soviet espionage in Australia. He has also been

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vigorously denounced by the Anti-Communist Labor Party, a new and relatively small splinter opposition faction for curbing the labor groups which have fought Communist influence in Australian trade unions.

Most of the Labor Party, however, has rallied behind Evatt in demanding sweeping defense cuts, withdrawal of troops from Malaya, expanded trade with the Sino-Soviet bloc, recognition of Communist China, and abstention from membership in regional military pacts. If the party is defeated, Evatt's leadership may be repudiated by moderate Laborites whom he has antagonized by trying to dominate the party's state organizations and by accepting Communist support. The Communists have little hope of electing any of their 26 candidates, but the Labor Party split has proved advantageous to them.

Despite the heat generated by the Communist and foreign policy issues, economic factors largely dominate the campaign. The labor platform calls for increased state benefits to be financed by excess profits taxes and

lower defense costs. The Menzies government, meanwhile, is pointing to Australia's unprecedented prosperity and full employment.

The government is also aware, however, that voluntary credit controls and the recent restrictions on imports may be insufficient to check inflation and the drain on exchange reserves. It called elections at this time--some 17 months before lower house elections would have been constitutionally required--in order to have its mandate renewed before it imposes the additional unpopular measures it anticipates will become necessary.

In addition to all the seats in the House of Representatives 30 of the 60 seats in the Senate, which is normally renewed by halves every three years, will be at stake on 10 December. The government is risking losing its 31-29 control of the upper house, since its supporters hold 18 of the seats being contested. In practice, however, opposition control of the Senate does not often result in major obstruction of legislation. [REDACTED]

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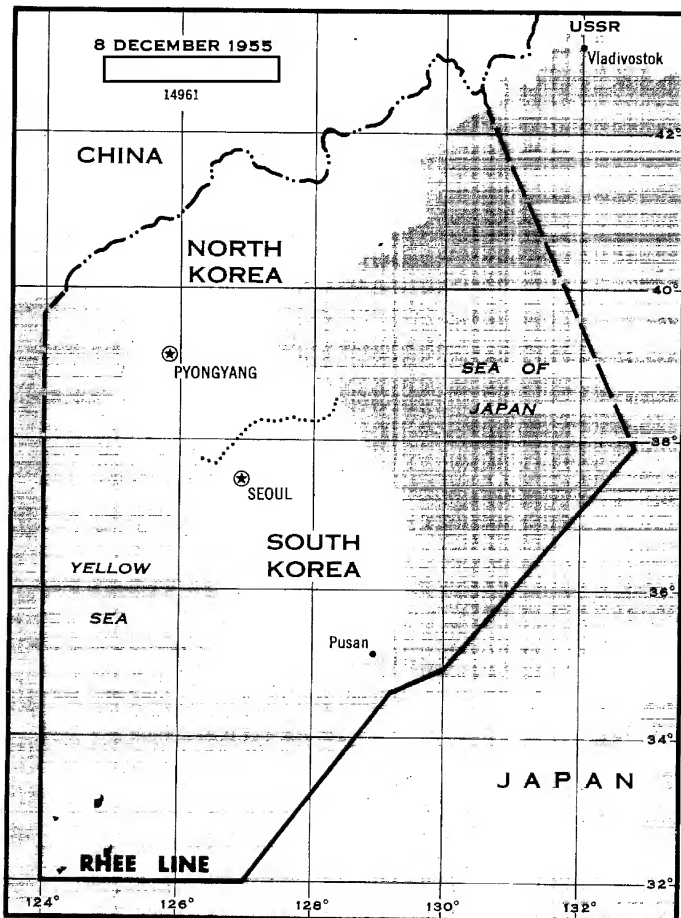
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Tension Rising Between Japan and South Korea

South Korea's recent threat to sink Japanese vessels crossing the "Rhee line" fisheries boundary has led to angry Japanese demands for retaliation against South Korean

ship seizures and to widespread criticism of the United States. Although South Korea's service chiefs are reported opposed to the use of force, the stated intent of the Japanese to cross the Rhee line may lead to shooting incidents. or new seizures.



Over 600 Japanese fishermen are now held in Korean jails, and almost 300 seized vessels have not been returned. Protest rallies and petitions to the Japanese government from fisheries organizations may presage a stiffening of Japan's hitherto conciliatory attitude in its relations with South Korea.

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The current temper in Tokyo is reflected by the remark of Liberal-

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Democratic party leader Take-tora Ogata, who commented that it may be necessary to mobilize Japan's self-defense forces and "resort to force" if South Korea carries out its threat. The director of the Japanese fishery board has stated that Japanese vessels will continue to operate across the Rhee line, although the Foreign Ministry has announced that the Japanese would send only unarmed patrol vessels with the fishing fleets at this time.

Ambassador Allison reports from Tokyo that tension on the Rhee line issue has risen to "unprecedented heights," and that the time is rapidly approaching when it will no longer be possible for the United States to stand aside without serious damage to America's relations with Japan.

South Korea's willingness to provoke Japan was illustrated by the recent seizure of two Japanese fishing boats

30 miles outside the Rhee line. While the South Korean threat to use aircraft and naval vessels to patrol the Rhee line appears to be primarily a propaganda gesture, the South Korean maritime police, which are not under UN Command jurisdiction, have a limited capability for intercepting Japanese vessels.

The threat reflects President Rhee's desire to maintain a state of tension in the Far East, and to undermine Japan's position as the dominant anti-Communist power in north Asia. It is unlikely that Japan will remain passive in the face of continued provocations. Many Japanese are asserting that under the US-Japan Security Treaty the United States has a moral responsibility to intervene, since the Koreans are using vessels furnished, equipped, fueled, and armed by the United States. [REDACTED]

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Unrest in Ecuador

Mounting political and military tension in Ecuador is threatening the position of the present regime. The situation is complicated by popular emotions aroused over President Velasco's harsh handling of recent student demonstrations in Quito and Guayaquil. The Communists, who apparently have played a large part in the student demonstrations, may succeed in organizing a general strike. Further political deterioration could result in the

ouster of President Velasco before the presidential and congressional elections scheduled for 3 June 1956.

The demagogic Velasco has twice before--in 1935 and in 1947--been forced from the presidency and into exile because of his dictatorial methods. During the current term, he has kept up a running feud with popular groups of all types.

The most serious of the disturbances, riots protesting the transfer of two Communist

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high school teachers, resulted in the death of one student and the wounding of four others. Velasco's use of the police and armed forces in dealing with the disturbances has aroused considerable public indignation. One group of private citizens has petitioned the Supreme Court to impeach the president.

the country. The American embassy in Quito commented on 4 December that a general strike might result in the overthrow of the government.

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The Velasco government fears that Communist efforts to exploit the current situation may lead to a general strike. The Communists dominate the largest and most important labor confederation in

Political opponents of the regime, principally the Liberals and Socialists, who have been strengthened by their victory in the recent municipal elections, probably are exploiting the situation to harass the regime and are adding to the existing political tension. The period between now and next June's elections is likely to be a stormy one.

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PART III

PATTERNS AND PERSPECTIVES

THE SAAR LANDTAG ELECTIONS

The pro-German sentiment which in October was responsible for the defeat of the "European statute" for the Saar territory seems certain to assure victory for the pro-German parties in the elections for the Saar Landtag (parliament) on 18 December. If the pro-German parties win as much as 75 percent of the seats, they will be in a position to amend the French-inspired Saar constitution so as to remove the legal barriers it contains to reunion with Germany. However, France still controls the territory's economy and continues to assert strong political claims over its future. The French would probably abandon their present conciliatory policies on the Saar problem if the views of pro-German extremist elements seemed dominant after the election.

The election campaign opened on 26 November and has been remarkably quiet to date. The desire of the pro-German groups to gain complete control of the Landtag may, however, lead them to renew the Nazi-like tactics they used prior to the referendum of 22 October. With campaigning for the French national elections in progress, any indications that pro-German extremists were beyond the control of moderates both in the Saar and West Germany would have more than normal repercussions in Paris.

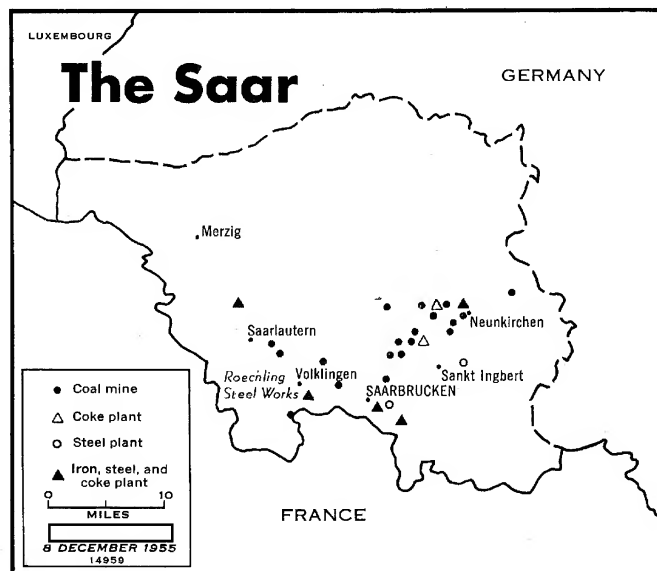
Background

France's Saar policy since World War II has been aimed

at maintaining an economic hold on the rich industrial region as a partial counterweight to reviving West German economic powers. The policy was based on the assumption that the Saarlanders were certain to approve any settlement agreed to by the Bonn government.

After this assumption was exposed in the October referendum as being fallacious, Paris became apparently convinced that it must take more adequate account of Saar sentiment in working out any new settlement for the territory. It therefore agreed to early elections for a more representative Landtag, despite its previous statement that defeat of the referendum would lead to reimposition of the previous system, which banned pro-German political parties.

The present Landtag, elected in 1952, includes only representatives of parties then authorized by the



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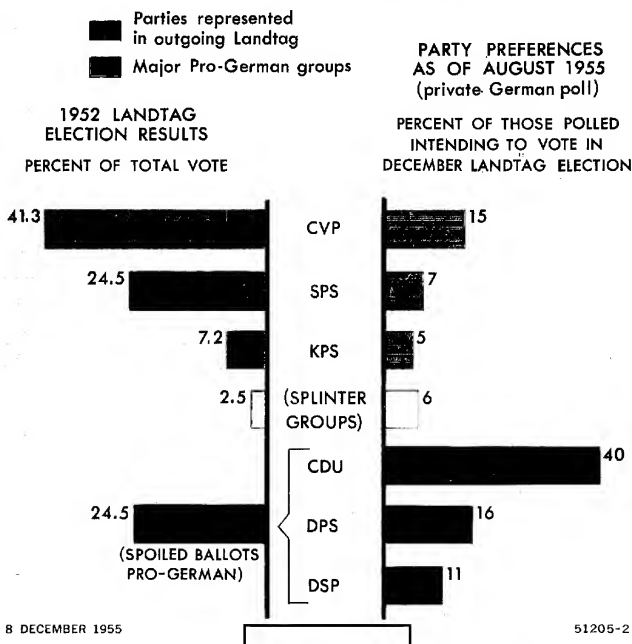
French-controlled Saar government. Its 50 seats are divided among ex-premier Hoffman's Christian People's Party (CVP, 29 seats), the Saar Social Democratic Party (SPS, 17 seats), and the Saar Communist Party (KPS, 4 seats).

Banns on political activity by pro-German elements in the Saar were lifted only in July of this year at the beginning of the three-month campaign period which preceded the referendum in October. Under the statute at stake in the referendum, which had been laboriously negotiated by Paris and Bonn and approved last spring by the other Western European Union (WEU) countries, the Saar would have become "European" territory with local autonomy, but with all defense and foreign affairs under the control of WEU.

The two-to-one defeat of this statute, against which the pro-German parties waged a vigorous campaign, was a severe blow to the two "old" parties, the CVP and the SPS, which were smeared during the campaign as instruments of a decade of French oppression.

Hoffmann's resignation immediately following the election removed a major irritant in French relations with the Saar but also left Paris without means of reimposing its internal controls in the territory. It accordingly asked the WEU Council of Ministers to permit the WEU commission, which had been set up to supervise the referendum, to remain in the area during the Landtag election campaign. The West German

PARTY PREFERENCES IN THE SAAR



government joined in this request, which was approved by the WEU council.

Party Struggles in the Saar

The principal rallying point of pro-German extremists in the Saar is the ultranationalist Democratic Party of the Saar (DPS), headed by Heinrich Schneider. A former Nazi who is currently riding high as a result of the referendum campaign, Schneider is reportedly pushing now for the re-establishment of "Gross Deutschland," and is suspected of having political ambitions in West Germany. Since his party normally would have only a limited appeal to Saar voters, who tend to divide along Catholic and Socialist lines, the ultranationalist appeal is Schneider's main drawing card. The more moderate pro-German elements, though numerically superior, therefore feel forced to make a nationalistic appeal themselves.

There is reported to be some sentiment among the

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pro-Germans that the "old" parties should not even participate in the present campaign. Immediately after the October referendum there were rumors that the Christian People's Party and Social Democratic Party of the Saar might soon merge with their pro-German counterparts, the Christian Democratic Union (CDU) and the German Social Democratic Party (DSP). Plans in this direction apparently were wrecked by the pro-Germans' stiff terms.

The decision of the CVP and SPS to participate in this month's election is believed to have been based in part on their hope of gaining more favorable terms after the election. The two parties, which hope to gain at least 25 percent of the Landtag seats as a measure of protection against constitutional amendments unfavorable to them, have been making strenuous efforts to disprove charges that they are "separatists" and therefore un-German.

The pro-German parties, meanwhile, have agreed to make reunification of the Saar with Germany their official campaign policy. According to a Bonn official, they are now thinking along lines of political reunion with Germany "as soon as possible," with no transition period. They have already publicly demanded that France recognize the Saar and Germany are one, that the Saar be incorporated as a state within the Federal Republic, that the Saar have an equal voice in French-German negotiations on its future, that the French-Saar economic union be dissolved, and that the French-German agreement to divide control of the disputed Roerchling steel works be annulled.

French Apprehensions

Paris, particularly worried over the fate of Saarlanders who supported the European statute, has persuaded the WEU council to instruct its commission in the Saar to see that no one there suffers because of his past political attitude. The WEU council has agreed to establish by 1 January a neutral tribunal to settle disputes arising from political prejudice. The tribunal is to sit for a three-year period, and this term may be extended.

While Chancellor Adenauer will see to it that his government officially maintains hands off the Saar electoral campaign, many individuals and groups in the Federal Republic will continue their activities aimed at promoting sentiment for early reunion of the Saar with Germany. An indication of French feeling on this score is seen in recent newspaper articles by André Francois-Poncet, former French ambassador to Bonn and a leading advocate of French-German rapprochement, warning that unbridled demagoguery and threats by such groups and individuals will not be tolerated.

Under the pressures of the French electoral campaign, the Paris government will be highly sensitive to any new evidence of a resurgent German nationalism which threatens to undermine France's economic interests and its dwindling political hold on the Saar. Therefore, unless pro-German extremists can be controlled during and after the Landtag election campaign, Paris might take a position which could seriously delay prospects for early negotiation of a new Saar solution.

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COMMUNIST PARTY TACTICS IN THE FAR EAST

The Communist parties in the non-Communist countries of Asia are trying to strengthen their local position for various forms of political action, and simultaneously to support Moscow's and Peiping's diplomatic efforts to "normalize" relations with these countries.

These aims sometimes conflict. At this time, the Communists consider open and legal activity the most effective means for advancing them. Nevertheless, subversion and infiltration activities by Asian Communist parties have, in all probability, been reduced. While the Communists are making overtures for truce settlements or amnesties in some areas, they will not disband existing military forces under their control, or abandon the threat of military action.

Popular suspicion of a link between international Communist diplomacy and local party maneuvers increasingly is recognized by the Communists as a political liability. Local parties therefore assert that the link is an illusion. When the general secretary of the Indonesian Communist Party recently stated that his party is a "national force" and that all talk about the party's activities being directed from Moscow and Peiping was slander, he was complying with the international Communist line that "revolution is not for export."

The increasing emphasis on open political action has resulted in the formation of broader united fronts. The united front, classically conceived as an alliance of workers, peasants, and the urban petty bourgeoisie, has been expanded to include native capitalists in "colonial and semicolonial" areas. The kind and number of groups with which

Communists now collaborate is almost unlimited.

Soviet and Chinese Influence

The "broad" united front tactic now in use in Asia is Soviet in conception and Chinese in application. Comintern officials as early as 1922 originated the thesis--which Stalin more fully expounded in 1927--that "it is possible for the Chinese bourgeoisie to support the Chinese revolution."

The Chinese Communists claim that Mao "developed" Stalin's concept and "creatively applied" it in the Chinese revolution. This claim has helped to raise the prestige of Mao in the eyes of many Asian Communist leaders. Moscow gave qualified sanction to this tactic in the 1954 reviews of Mao's works and brought the Chinese experience into the mainstream of legitimate doctrine. Thus, while the tactic is not new, it is now for the first time being used by almost all Communist parties in the Far East.

Although both Soviet and Chinese Communists provide guidance, aid, and support to Asian Communist parties, the mutuality of Sino-Soviet interests and ideology are likely to preclude a straightforward struggle for control over these parties. Communist strategy in the Far East is almost certainly co-ordinated between Moscow and Peiping, although the Chinese Communists probably have primary responsibility for implementing the jointly designed program. For various reasons, including geography and cultural affinity, the Chinese Communists are in a better position than their Soviet colleagues to establish and consolidate organizational ties with Asian Communists.

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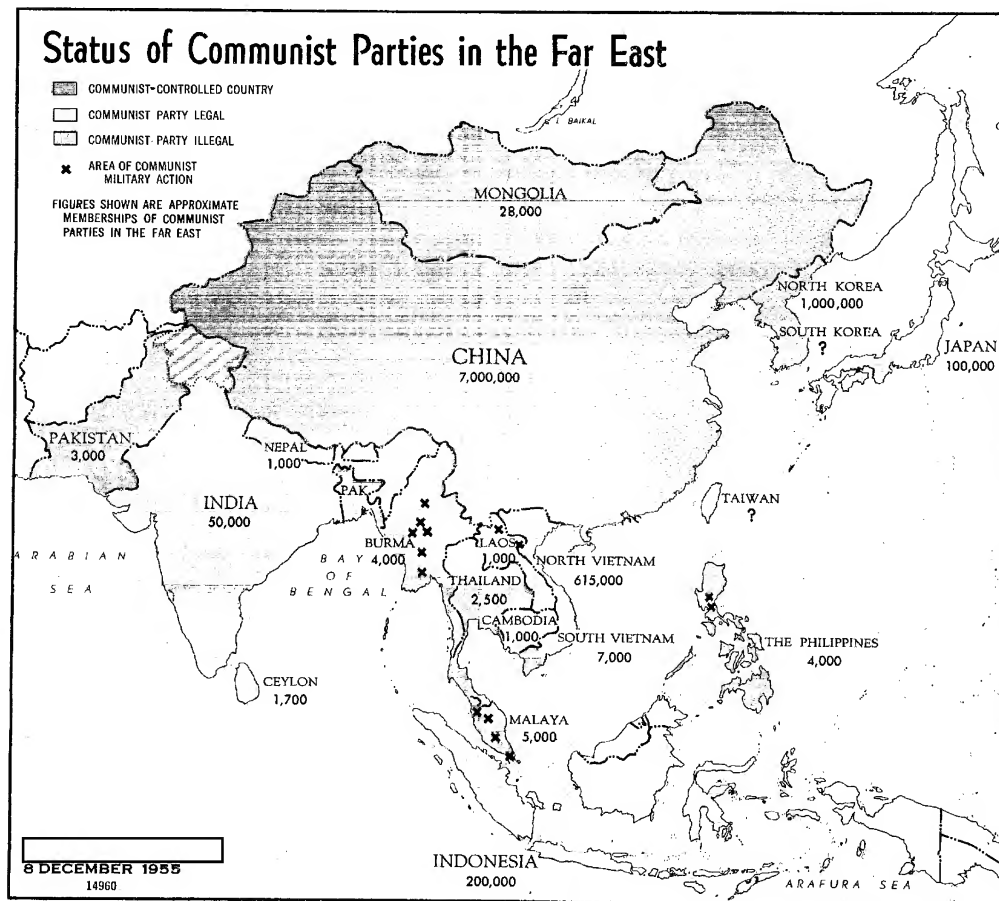
Chinese Communist influence is predominant over increasing Soviet influence in North Vietnam and probably second to Soviet influence in North Korea. It is probably strongest in the Communist parties of Malaya, Burma, Thailand, and the Philippines, roughly equal to Soviet influence in Japan and Indonesia, and weaker than Soviet influence in India.

Political Action

The program developing in the Far East to legitimize the activities of local Communist parties seems to be an effort primarily to prevent local Communists from compromising Sino-Soviet bloc

diplomacy and to strengthen the Communist base for domestic political action. Thus far, however, of the major Communist parties in Asia, only those in India, Indonesia, and Japan have legal status, with members in parliament. In Burma and Cambodia, the dissident Communists work through Communist-directed parties.

Political action has been most successful in Indonesia, where the Communists recently polled 20 percent of the vote. There, the Communists dropped their appeal for a "people's dictatorship" and suggested a "national coalition" government of both left and right parties which would include and accept the support of the Communist

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Party. The recent Ali government did in fact depend on Communist support in parliament. There is little prospect, however, that the Communists will be invited to participate in the new government to be organized next spring.

In India, the Communists have been less successful with legal tactics than in Indonesia. Moscow and Peiping have required the party to adopt a conciliatory line toward Prime Minister Nehru, and the Indian Communist Party has thus supported the Congress Party's foreign policy. However, the defeat suffered in the Andhra election of February 1955 again impelled party militants to agitate for a hard-hitting opposition program on foreign and domestic policy and for abandonment of parliamentary tactics. This is the major dilemma from which the party will try to escape at its fourth congress scheduled for December.

Developments in the Japan Communist Party since early 1955 constitute an outstanding example of the shift to overt legal tactics in support of Sino-Soviet bloc diplomacy. The party has made organizational changes, apparently scrapping its paramilitary apparatus and "surfacing" its leaders. The Communists are openly attempting to create popular opposition to the policies of the new government and to its political, economic, and military ties with the United States.

In view of their long-standing opposition to conservative governments, which they accuse of helping to perpetuate American "semi-occupation," and their negligible strength of only two seats in the dominant lower house of the Diet, the Communist Party has not been in a position to propose a coalition with the government. They are, however, seeking support from

the non-Communist left and already have offered to collaborate with the Socialists.

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Armed Struggle

While intensifying emphasis on open political activity, the Communists do not envisage disbanding their armed forces. With a combination of military threats and conciliatory gestures they hope to negotiate favorable settlements to enable them to conserve and strengthen existing military potentials and bases.

In Malaya, although the immediate objectives are to achieve a cease-fire on their own terms and to resume activities as a legal party, the insurgent Communists are reluctant to destroy their "armed work forces." When informed that the Malayan government amnesty of 8 September did not include the offer of a cease-fire and protection for their leaders and armed forces, the Communists increased their military attacks. They are holding out for a favorable settlement, but the chief minister of the federation government is unwilling to grant extensive concessions.

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In Laos, the Communists are using their military forces to create pressure on the royal government for a negotiated settlement on Communist terms. They are trying to consolidate control over the two northern provinces. From that base and with Viet Minh support the Pathet Lao probably will continue to bargain for a "national united coalition" government, threaten resumption of military action, and work to extend its influence over the entire country through infiltration and subversion.

In the Philippines, the illegal activities of the proscribed Communist party have been effectively suppressed by the government, but the military arm of the party--the Hukbala-hap--still resorts to small-scale terrorism.

In Vietnam and Korea, where "armed struggle" has been halted by truce agreements, the present Communist emphasis on "peaceful" tactics appears to preclude a resumption of military activity. Meanwhile, the Communists continue to strengthen their armed forces in these countries and are holding them in reserve.

Subversion and Infiltration

In conjunction with their overt campaign, Communists in Asian countries continue to penetrate government, defense, business, labor, various social establishments, Overseas Chinese communities, peasant groups, and dissident sects. Superior organization or coercion, or both, have enabled small groups of Communists to exercise influence in the penetrated organizations far beyond the weight of their numbers. In Singapore, with an 80-percent Chinese population, the Communist-controlled People's Action Party threatens the orderly

emergence of self-government, and Communist penetration of labor unions and Chinese schools has subverted a significant part of the population.

In the strongly anti-Communist countries of the area--such as South Vietnam, South Korea and Taiwan--subversive activities are of necessity the primary form of Communist action.

In South Vietnam, the Viet Minh is attempting to infiltrate the armed forces, the government, labor unions, and religious bodies to organize support for the elections of 1956 and to gain footholds for future expansion. The Viet Minh has experienced some success in these tactics in remote areas, but has not effectively penetrated the army or government, nor has it made much headway among the urban population.

In South Korea, Rhee's adamant anti-Communist policies have succeeded in wiping out guerrilla activities and have reduced Communist subversive and propaganda operations to negligible proportions. The Communists seem likely to continue to offer unrealistic proposals for unification, to propagandize for renewed negotiation, and to re-establish various possibilities for subversion.

The Communist party is proscribed on Taiwan and individual Communists are vigorously hunted by Chinese Nationalist security organizations. In the foreseeable future, Peiping's operations on Taiwan will almost certainly include clandestine efforts aimed at collecting intelligence and subverting key Nationalist officials. Meanwhile, the Chinese Communists are again reported threatening to use force to take Taiwan and continue

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to beam propaganda at the island designed to stir up discontent among the population, to depress the morale of Chiang Kai-shek's armed forces, and to induce defections.

Prospects

In none of the non-Communist countries of the Far East and Southeast Asia are the indigenous Communist parties now sufficiently strong to bring about by

their own efforts the overthrow of the existing governments. Nevertheless, the combination of local action and international Communist "peace" diplomacy will probably achieve further success in strengthening neutralist sentiment throughout the region and in developing increasingly friendly relations between the local governments and the Sino-Soviet bloc. [REDACTED]

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HUNGARIAN REGIME REASSERTS PARTY CONTROL

Matyas Rakosi, first secretary of the Hungarian Workers' Party, appears to have succeeded in his struggle to eliminate the opposition within the party which had gained enough strength during 1954 under former premier Imre Nagy to threaten Rakosi's leadership.

By intensive repressive measures, he has reasserted his control over the party and has restored stability to the regime. Party direction is firm enough now to permit some moderation in policies, and flexibility in their application, without jeopardizing internal discipline.

The restoration of party unity and discipline under Rakosi's leadership has become gradually apparent in the increasingly self-assured tone of regime pronouncements during the past several months. At the central committee and the National Assembly meetings in mid-November, regime leaders clearly indicated their satisfaction with the progress made during the previous nine months, and the goals set forth for 1956, which are in line with

the policies established by Rakosi between January and April 1955. There has also been notably less mention in recent months of serious opposition within the party hierarchy and of apathy and confusion in the execution of policies.

Rakosi Reasserts Discipline

Since the end of November 1954 when Rakosi returned from a two-month sojourn in the Soviet Union, he has concentrated on reimposing strict party, labor and civil discipline. It is believed he received high-level support in Moscow for his policies. Although Rakosi reportedly had only minority support in the Hungarian central committee last March for his ouster of Nagy, there is no evidence of continuing organized opposition within the party to his policies.

He first set out to arrest the gradual weakening of party control over the masses which was being fostered by the liberal policies of the Nagy government. He acted to prevent the Patriotic People's Front (PPF), an

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extra-party mass organization established in 1954 to attract popular support for the regime, from taking control over the Communist youth movement away from the party. Several top-level "rightist" officials of the PPF were removed, and the front was turned into an undisguised adjunct of the party.

Through criticism and demotion of leading party publicists, Rakosi again subjected all forms of communication and cultural expression to strict party control. An increase in police terror during June and July and the resumption of deportations from Budapest for the first time since 1952 was part of the program to re-establish strong civil discipline.

Rakosi also acted quickly to eliminate Nagy's supporters in the party apparatus. On 25 March, he called a meeting of all district party secretaries to lay down his policy for action in the rural areas. Local party elections were called and the rural party apparatus reorganized, apparently to weed out Nagy supporters and improve local adherence to central authority.

After newly established screening committees had reviewed the records of party members, thousands of party functionaries were reportedly demoted or dismissed during the spring and summer. They were charged with expounding Nagy's "liberalism" or with "behavior contrary to the party line," the latter charge having also been used to attack "leftist deviation," i.e., a too severe application of party policies. The chastised party press took up the cudgels against "liberalism" and demanded changes in the party recruitment policy to increase the percentage of industrial workers and socialized peasants in the party and reduce the

strength of "bourgeois" elements.

Orthodox Economic Goals

At the same time, Rakosi reaffirmed the traditional socialist emphasis on the development of heavy industry and on the socialization of agriculture, two aims which Nagy had subordinated to increasing the welfare of the workers. As early as January, Rakosi began to demand publicly that economic planning should seek primarily to foster the growth of Hungary's basic industries, to increase labor productivity, and to lower production costs.

While these aims have been constantly publicized during the year, the 1955 plan gave little financial support to the development of heavy industry. The economic goals for the year appear to have been to curtail the expensive New Course incentive program, to restore strong labor discipline, and to establish the bases for further industrialization under the second Five-Year Plan starting in 1956.

In addition to pursuing these aims through an intensive propaganda drive, Rakosi adopted administrative measures intended primarily to strengthen control over all phases of the economy. Work norms were raised during June and July. During the first half of 1955, absenteeism and inferior production were more severely punished than during the previous two years. The State Control Committee was raised to the level of a ministry and its powers sharply increased; a Wage and Labor Council was created to centralize control over wages; and the powers of the Labor Exchange Office were delineated to reduce labor turnover. Independent artisans and traders were again narrowly circumscribed in their operations.

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These measures were intended not only to increase control over the industrial workers, but also to strengthen the regime's hand in dictating to the managerial and technical classes, which had been given a largely free hand by Nagy's government.

It is in the agricultural field, however, that Rakosi took the strongest measures. In June, Premier Andras Hegedus outlined the regime's agricultural program, demanding the development of the socialized parts of agriculture at a rate which would make them predominant by 1960, and calling for sharp increases in production at the same time. This simultaneous development of agricultural socialization and increasing production makes Rakosi's policy basically different from that of Nagy.

Collectivization has been pushed by making withdrawal from co-operatives more difficult and less attractive, by increasing the differences in government assistance to collective farmers and private farmers, and by stepping up the persecution of successful private farmers. The regime also decreed more stringent crop collection laws to gain control of an increased percentage of agricultural production. Over one thousand reliable party workers have been sent to the countryside to press the collectivization campaign and to renew persecution of the kulaks.

Policies Eased

Having thus stabilized the regime and strengthened discipline, Rakosi has recently moderated his political and economic tactics to restore flexibility to policies. Stringent restrictions on the sale of agricultural products on the free market were eased somewhat as the prospects for a good

harvest improved. In October the party cautioned its workers in the countryside against collectivization through force and introduced certain concessionary tactics to encourage peasants to join co-operatives voluntarily.

In an unusual editorial on 4 November, the official party newspaper Szabad Nep stressed the need to emphasize the workers' self-interest as a means of encouraging greater productivity. Shortly before his promotion to the politburo on 12 November, Istvan Kovacs, a member of the party secretariat, asserted that the workers' well-being remained a primary concern to the party. The police pressures on the population which had increased during the first half of the year have recently slackened.

In recent months the pressure for increased productivity has been shifted from the individual worker to the economic leaders, management and technicians. The projected 1956 increase in labor productivity is less than the increase accomplished in 1955 and is predicated almost entirely on technological and organizational improvements.

The success of Rakosi's economic program is indicated by regime claims that industrial production has increased 9.5 percent over the 1954 level and that the unsatisfactory 1954 trends in heavy industrial output, agricultural production, labor productivity and production costs have been more than overcome. The only major economic fields with which the regime continues to be dissatisfied are coal production, which continues to underfulfill even the modest goals projected for 1955, and foreign trade, which continues to suffer from the failure of export industries to meet their quotas. The persistent

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unevenness of industrial production and the slow development of technology also continue to hamper economic growth. These problems are to receive priority attention during 1956.

Rakosi has apparently succeeded in making party, labor and civil discipline stronger than at any time in the past two years or more. The frustration of popular hopes for liberation which had been raised by the international developments prior to the summit conference has contributed to the growing sense of resignation which is apparent among the population. Relatively little of the resistance to crop collection which has symbolized popular opposition to the regime in the past has been reported recently.

Current Policy

Current policy is aimed at pushing the industrialization and agricultural programs

at a modest rate and avoiding extreme political actions. Kovac recently renewed his attack on both right- and left-wing extremes for deviating from the party line.

The 1956 economic plan calls for moderate increases in industrialization and collectivization with the major emphasis on building up the raw material and technological bases for Hungarian industry and further developing the Communist tutelage of the working classes. This program will probably mean some increase in pressure on the workers and could give rise to sporadic unrest. Barring a radical shift in Soviet policy back to Stalinist repression, however, or any major natural disasters such as those which have undermined the economic program in the past, Rakosi's regime will probably fulfill its 1956 plan and further solidify its control over the Hungarian population. (Concurred in by ORR)

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